



STATE OF WASHINGTON

OFFICE OF THE GOVERNOR

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May 17, 2005

To the Honorable President and Members,
The Senate of the State of Washington

Ladies and Gentlemen:

I am returning, without my approval as to sections 101(1); 204(1)(a); 204(1)(p); 206(11); 209(21); 213(11); 307(9); 307(11); 307(14); 307(19); 717; 718; 721; 805, page 186, lines 21-23; 912; and 1106, page 294, lines 23-24, Engrossed Substitute Senate Bill No. 6090 entitled:

"AN ACT Relating to fiscal matters."

My reasons for vetoing these sections are as follows:

Section 101(1), pages 2-3, House of Representatives, Committee on Fiscal Stability

This language creates a Committee on Fiscal Stability. Though well intended, this provision requires the Governor to appoint a non-voting chair – except for procedural issues – for a legislative committee that includes members from the House, but not from the Senate. I am reluctant to participate in this important endeavor without balanced representation from both houses of the Legislature and from the executive branch. The House of Representatives can create this committee administratively, and I am willing to work with both houses to create an appropriate structure for this effort.

Section 204(1)(a), page 46, Department of Social and Health Services (DSHS), Regional Support Network Funding Formula

Section 204(1)(a) requires DSHS to complete a six-year phase-in of a revised Medicaid allocation formula under which each Regional Support Network (RSN) will be paid a standard per capita rate. While the Department does intend to implement this phase-in, it needs flexibility to do so in a manner consistent with federal requirements. The Centers for Medicare and Medicaid Services (CMS) requires that all RSN rates be actuarially sound, and that the actuarial study examines geographic variations in costs and rates. Preliminary findings from the current study show that costs and rates may differ by region. If these findings hold and this proviso is retained, DSHS will not be able to set rates for RSNs that conform to federal requirements. I direct DSHS to follow the intent

of the Legislature as much as possible while accommodating the actuary's final recommendation.

Section 204(1)(p), page 49, Department of Social and Health Services (DSHS), Integrated Chemical Dependency/Mental Health Screening

This item states that sufficient funds are appropriated to implement the integrated chemical dependency/mental health screening and assessment provisions in SB 5763. I am vetoing this provision because specifically identified funds are available only for development, training, and quality assurance. But implementation of needed screening and assessment activities related to this program can be done from within the community services budget.

Section 206(11), page 59, Department of Social and Health Services, Aging and Adult Services Dual Occupancy Accommodations

This proviso requires the Department to establish a pilot program to allow dual occupancy in assisted living facilities where more than 50 percent of the clientele is Medicaid eligible, and where the facility is not eligible for capital add-on payments for boarding homes. While I recognize there are fiscal pressures on facilities that deliver services for aged residents, I believe this pilot is premature. I want the Long Term Care Task Force just approved by the Legislature to examine all issues of service delivery and finances instead.

Section 209(21), pages 68-69, Department of Social and Health Services, Medical Assistance Prescription Drug Benefit

I am vetoing the proviso that allows for a time-limited transitional prescription drug benefit for General Assistance-Unemployable (GAU) clients because it states that if DSHS chooses to make a transitional medical benefit part of an overall GAU cost-savings initiative, the benefit must be limited to coverage of prescription drugs and medication management. DSHS needs flexibility to devise a workable and cost-effective savings initiative that may include services other than prescription drugs.

Section 213(11), page 73, Health Care Authority Study on Health Savings Accounts and High Deductible Plans

This proviso directs the Public Employees Benefits Board to submit a report on options for the use of Health Savings Accounts within the Basic Health program – an area over which the Board has no authority. I agree that Health Savings Accounts accompanied with high-deductible health plans may provide a model for health care coverage that has the potential to involve consumers more directly in their health purchasing decisions. Health Savings Accounts need to be examined further as an option for Washington citizens. I am directing the Health Care Authority to provide an analysis of Health Savings Accounts within available funds.

Section 307(9), page 97, Department of Fish and Wildlife, Lapsed Appropriation for Senate Bill 5234 (Hunter Access to Lands)

This proviso funds implementation of Senate Bill 5234 and stipulates that the appropriation will lapse if the bill is not enacted. Since that bill did not pass the Legislature, I have vetoed Section 307(9).

Section 307(11), pages 97-98, Department of Fish and Wildlife, Grizzly Bear Outreach Project

Section 307(11) grants \$75,000 to the Grizzly Bear Outreach project to disseminate information regarding grizzly bears in the North Cascade mountains. Both the Washington State Department of Fish and Wildlife and the United States Fish and Wildlife Service already offer information on the re-emergence of grizzly bears, and provide advice for residents living near bear habitat. This General Fund expenditure would duplicate the efforts of those agencies.

Section 307(14), page 98, Department of Fish and Wildlife, Livestock Damage by Cougars

This funding reimburses commercial livestock owners for damage caused by cougars. While I understand the concerns of livestock owners, there is no statutory authorization for the Department to provide this type of reimbursement.

Section 307(19), page 98, Department of Fish and Wildlife, Lapsed Appropriation for Senate Bill 5232 (Turkey Tags)

This proviso funds implementation of Senate Bill 5232 and stipulates that the appropriation will lapse if the bill is not enacted. Since that bill did not pass the Legislature, I have vetoed Section 307(9).

Section 717, page 177, Double-filled Personnel Positions

Section 717 requires OFM to find \$4 million in savings by eliminating double-filled positions in state agencies. State agencies double-fill positions for a number of valid reasons including when departing staff train their replacements, if part-time staff share a single job, or when temporary replacements are needed for staff who are ill or called to military duty. The number of staff an agency can employ is controlled through FTE and dollar limitations in the budget, which are not affected by the number of staff using the same position in the personnel system. I direct the Department of Personnel to review agency practices concerning the use of double-filled exempt positions. I am vetoing this section to retain administrative flexibility for agencies to double-fill positions as appropriate.

Section 718, page 177, Critical High Demand Positions

Section 718 allows OFM to allot the savings achieved in Section 717 to meet critical staffing needs among state agencies. Because Section 717 is vetoed, this section cannot be implemented and is also vetoed.

Section 721, page 179, Middle Management Reporting Requirements

The middle management staff reduction I recommended in my budget is included in the legislative budget for most state agencies. I direct the Department of Personnel to work with agencies on implementing this initiative, and to track the positions eliminated. I am

vetoing this section to preserve flexibility as to the nature and frequency of reports on this activity.

Section 805, page 186, lines 21-23, Tobacco Prevention and Control Account Transfer to General Fund

This appropriation would reduce the fund balance in the Tobacco Prevention and Control Account by transferring \$13,910,000 to the state General Fund.

Tobacco Master Settlement Agreement payments were dedicated to the Health Services Account and to anti-smoking efforts with \$100 million used to supplement current tobacco tax revenues in the Tobacco Prevention and Control Account. Programs supported with this fund helped create an unprecedented decline in smoking in this state. At the current spending rate, the original \$100 million deposit will be exhausted in fiscal year 2008. By vetoing this proposed transfer, the Tobacco Prevention and Control account can support current efforts through fiscal year 2008, which will allow time to develop a permanent source of funding for these important activities.

Section 912, pages 193-195, School Bus Bidding

These changes to the school bus bidding process for the 2005-07 Biennium are not necessary because the same policy changes were included in House Bill 1485, which I signed on May 16, 2005.

Section 1106, lines 23-24, page 294, Department of Social and Health Services, Aging and Adult Services Program Appropriation Change

This reduction to the fiscal year 2005 appropriation is vetoed in order to retain \$16.766 million to ensure that the Department of Social and Health Services has sufficient resources to cover costs in children's services and medical assistance.

In addition, the appropriation in Section 202 assumes a reduction of \$1.7 million for regional crisis residential centers. In implementing this reduction, I am asking the Department of Social and Health Services to review options for how funding can best be allocated to maintain this service where it is most needed and most effective, while also achieving the savings assumed in the budget. Such options could include taking under-utilized beds off-line, adjusting the payment structure, or making other changes in contractor business practices and client referrals.

With the exception of those portions of Sections 101(1); 204(1)(a); 204(1)(p); 206(11); 209(21); 213(11); 307(9); 307(11); 307(14); 307(19); 717; 718; 721; 805, page 186, lines 21-23; 912; and 1106, page 294, lines 23-24 as specified above, Engrossed Substitute Senate Bill No. 6090 is approved.

Respectfully submitted,

Christine O. Gregoire

Governor